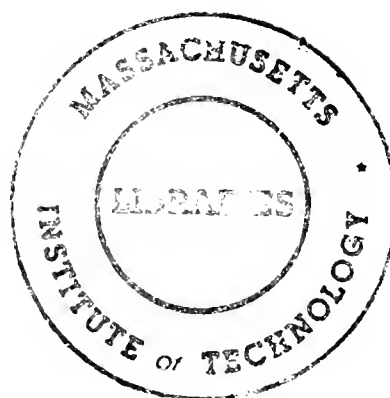


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Conflict Management and Commitment: Effects on Relationship Quality in Conventional Distribution Channels

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October 1996

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ABSTRACT

This study examines the effects of five conflict management styles (avoidance, accommodation, competition, compromise, and collaboration) on the quality of insurance underwriter-agent relationships. The moderating role of the mutual commitment of the channel members is explored. The survey results of 368 relationships indicate that collaboration and accommodation enhances relationship quality, while competitive and avoidance styles adversely affect relationship quality. However, as mutual commitment between the firms increases, accommodation has a less positive effect on relationship quality, while all other styles tend to enhance relationship quality. Finally, relationship quality is shown to enhance mutual commitment between channel members.

INTRODUCTION

Effective channel management focuses on the performance of two critical tasks: (1) coordinating the channel functions performed by units within a firm and independent organizations in the channel and (2) managing the conflict that arises between units and organizations performing channel functions (Stern and El-Ansary 1992, p. 267-8.) Channel conflict is defined as the perception by one channel member that its goal attainment is impeded by another channel member (Gaski 1984). Conflict and the need to manage conflict, the second critical channel management task, is inherent in distribution channels due to the functional interdependencies that arise in coordinating channel activities, the first critical channel management task (Mallen 1963, Lusch 1976).

Consider the following example: A major customer approaches its insurance agent with an unsatisfied need for a policy covering potential liabilities from hurricanes. The agent asks the insurance company that underwrites the majority of its business to quote on such a policy. The insurance company has limited experience with hurricane risks and refuses to offer this type of coverage. The agent responds by threatening to switch all of the customer's business to another underwriter. This situation represents a breakdown in the coordination between the underwriting function performed by the insurance company and the customer relationship management functions performed by the agent. Conflict arises because the agent perceives its primary insurance provider as thwarting its goal of satisfying the major customer's needs and maintaining a strong relationship with the customer. Similarly, the insurance company feels the agent is creating a situation in which the underwriting company will be unable to realize its profit objectives.

To resolve this conflict, the insurance company could ignore the problem, focus on its goals and threaten to shift its resources and attention to competing agents in the territory, grant the agent's request, compromise with the agent by offering the policy but reducing the agent's commission so each of the parties assumes some of the cost for satisfying this unusual request, or explore the opportunity for a novel, win-win solution such as tying a "loss-leader" hurricane insurance policy containing acceptable terms with additional coverage.

Conflict situations such as this occur on a routine basis between insurance underwriters and their agents. Over time, the underwriting firm may develop a consistent response or style to managing conflict with this agent on an ongoing basis. The objective of this research is to examine the effectiveness of the various conflict management styles illustrated above in a relationship marketing context.

In doing so, this research differs from past work in several important ways. First, we examine conflict management styles in the context of a critical relationship marketing construct -- mutual commitment (Morgan & Hunt 1994). Due to its important role in channel management, the study of channel conflict has been a popular research topic (Barclay 1991, Dant & Schul 1992, Gaski 1984). However, most of this research has examined the impact of influence tactics or bases of social power on channel member satisfaction. Our focus is on the impact of the classic conflict management styles (avoidance, accommodation, competition, compromise, and collaboration) on overall relationship quality, as opposed to the nature of the conflict itself, or the antecedents that precede the use of one style over another. Second, we draw on the conflict management style framework developed by Thomas (1976), a framework more widely used in management than March and Simon (1958), a framework used in a channel context by Dant & Schul (1992) and Lambert, Boughton, & Banville (1986). Finally, we examine relationships

between independent channel members as opposed to more formally governed relationships such as franchise relationships (cf., Dant & Schul 1992).

The next section outlines the conceptual framework for the research including definitions of the constructs and the articulation and support for hypotheses. Then the methodology and results of a survey of 368 independent insurance sales agents are presented. We conclude with a discussion of the findings, implications for management and directions for future research.

CONCEPTUAL FRAMEWORK

Figure 1 illustrates the conceptual framework underpinning this research. The utilization of specific conflict management styles by one channel member affects the perceived quality of the relationship. Additionally, the nature of these effects are moderated by the degree to which the channel members are mutually committed to the relationship. The quality of the relationships has a positive impact on mutual commitment. This feedback of relationship quality to commitment captures some of the dynamic aspects of the development of a channel relationship. Channel members utilizing the appropriate conflict management styles for the level of mutual commitment in the relationship increase the quality of the relationship which, in turn increases the level of commitment which reinforces or discourages the use of specific conflict management styles.

We begin the discussion of the conceptual framework with an overview of conflict management styles and a conceptualization of relationship quality. Then we discuss the hypotheses concerning the direct effects of conflict management styles on relationship quality and the moderating effects of mutual commitment.

Conflict Management Styles

Conflict management has a rich research tradition in the management and social psychology literature. A number of researchers have proposed taxonomies of behaviors that parties engage in when involved in conflictual situations (see Wall & Callister 1995 for a review). Although much of the research in this area examines interpersonal conflict, the literature represents a useful starting point for investigating interorganizational conflict management.

Initially, researchers conceptualized approaches for conflict management as positions along a unidimensional continuum ranging from cooperation and competition (Deutsch 1949). This unidimensional view of conflict management approaches evolved into a representation which arrayed conflict management styles along two dimensions, assertiveness and cooperativeness (Thomas 1976). Assertive behavior in conflict situations focuses on concern for one's own outcomes, while cooperative behavior focuses on concern for the other party's outcomes. Using these two dimensions, Thomas and his colleagues identified the five conflict management styles examined in this research: avoidance, accommodation, competition, compromise, and collaboration. The characteristics of these five styles are summarized in Table 1.

Avoidance. The avoidance style is an unassertive and uncooperative approach. A channel member engages in this conflict management style because it does not want to introduce tensions or unpleasantness in the relationship. This style involves minimal communication and exchange of information between the parties. Thus, the use of an avoidance style can result in a lack of clarity and direction which increases the level of conflict, and has a negative effect on the relationship (Bullis 1983). On the other hand, avoidance may be productive by minimizing the attention and effort directed toward unimportant issues (Thomas 1976) or serving as a defense against a negative confrontation (Raush, Barry, Hertel, and Swain 1974, p. 65).

Accommodation. The accommodation style is an unassertive, but cooperative approach. When a channel member uses accommodation to deal with a conflictual situation, it is primarily concerned with satisfying the other firm's needs or concerns. Hence, accommodation focuses consideration of the other party's position and emphasizes not offending the other party. Due to the emphasis on satisfying the needs of the other party, the amount of information exchanged is limited and one-way, flowing from the other party to the accommodating channel member.

Competition. A competitive conflict management approach is assertive and uncooperative, focusing on imposing one's position on the other party. Although one might view a competitive style to conflict management as being synonymous with conflict itself, the focus on competition as a management style is the pressure to make the other party change. The competitive approach can be useful when a quick, decisive action is needed (as in an emergency); however, this approach typically reduces the options for resolving conflicts and requires considerable energy (Thomas 1976). Due to the lack of concern for the other parties needs, the amount of information exchanged is limited and one-way flowing from the competing channel member to the other party.

Compromise. A compromise approach involves a moderate degree of both assertiveness and cooperation. A channel member engaging in a compromise approach will exchange concessions and try to find an intermediate position that is acceptable to both parties. Thus, the use of this style involves a moderate amount of two-way information exchange between the parties.

Collaboration. A collaborative approach consists of a high level of both assertiveness and cooperation. When a channel member utilizes collaboration, it engages in proactive, mutual problem-solving in which the firm directly discusses the problem, candidly shares concerns and

issues, and works through differences. This approach focuses on identifying mutually beneficial alternatives for managing conflict situations through a high level of two-way information exchange. In general, the use of this approach results in a productive outcome illustrating the beneficial aspects of conflict. However, this approach can be dysfunctional when a collaborating channel member shares sensitive information about their concerns and preferences and the other channel member uses this information opportunistically (Dant & Schul 1992; Pruitt 1981; Thomas 1976). In addition, this conflict management style, like the competitive approach, requires substantial effort (Thomas 1976).¹

These conflict management styles have been used to study how people do and should respond to specific conflict situations or how people typically respond to conflict situations in a specific relationship or across relationships. In this research, we view these conflict management styles as a typical approach for dealing with conflict in a specific relationship. It is not unreasonable to assume that firms and specific boundary spanners involved in a relationship develop consistent approaches for dealing with situations that develop in long-term relationships. In this manner, conflict management styles become part of the norms governing the relationships between independent channel members (John and Heide 1992).

Mutual Commitment

Our conceptual framework in Figure 1 indicates that the impact of the five conflict management styles discussed previously is moderated by mutual commitment, the degree to which both parties are committed to the relationship. Commitment is more than a simple positive evaluation. The essence of commitment is sacrifice and stability. Commitment entails a desire to develop a stable relationship and a willingness to make short-term sacrifices to maintain the relationship (Anderson & Weitz 1992; Morgan & Hunt 1994; Kumar, Hibbard & Stern 1994).

There is a growing consensus in the channels literature that commitment is a central construct in relational exchange, enhancing outcomes and contributing to relationship stability over the long run.

Relationship Quality

The outcome construct in the framework shown in Figure 1 is relationship quality. There is no consensus on what relationship quality is. Researchers have pointed to the manifestation of several distinct, though related constructs: trust, commitment, conflict, satisfaction, disengagement, willingness to invest, and expectations of continuity (Crosby, Evans & Cowles 1990; Dwyer, Schurr, & Oh 1987; Kumar, Scheer & Steenkamp 1995). A useful way for organizing these constructs into a higher order concept of relationship quality is to view relationship quality as consisting of evaluations of the present relationship and future expectations of the relationship.

Evaluation of present relationship. Satisfaction and trust are attitudinal constructs capturing the evaluation of the present relationship. Satisfaction is the degree to which the relationship exceeds the expectations of the channel member. Trust involves the following two elements (Andaleeb 1992; Anderson & Narus 1990; Deutsch 1958; Ganesan 1993; Lindsfold 1978; Zucker 1986): (1) the perception of the other party's honesty and reliability -- the degree to which the other channel member is open, fair and sincere (Dwyer, Schurr & Oh 1987; Scheer & Stern 1992) and (2) perception of the other party's benevolence -- the degree to which the other channel member is concerned about the channel member's welfare.

Future expectation. Expected benefits and relationship continuity are constructs related to the future of the relationship. Social exchange theory points to the role of anticipated benefits in determining the long-run survival of the relationship. If the parties do not perceive that they

will receive worthwhile benefits from being in the relationship, they are likely to exit (Blau 1964; Thibaut & Kelley 1959). Expectations of continuity are the channel member's perceptions of its intentions to continue transacting with the other party into the future (Anderson & Weitz 1989; Noordewier, John & Nevin 1990).

Hence, we view relationship quality as a higher order concept involving trust, satisfaction, and expectations of benefits and relationship continuity. Conflict is not included in our conceptualization of relationship quality because conflict can be either functional or dysfunctional to the relationship (Deutsch 1969).

Figure 1 proposes that commitment is a consequence of a high quality relationship. When channel members favorably evaluate the present nature of the relationship and its future potential, they will work at maintaining the relationship over the long-term. They have a strong incentive to sacrifice in the short-term to preserve long-term benefits. Hence, we expect that high relationship quality should enhance mutual commitment between channel members.

H1: Relationship quality increases mutual commitment between channel members.

Conflict Management, Mutual Commitment, and Relationship Quality

As suggested in Figure 1, we conceptualize the utilization of the five conflict management styles as having direct effects on relationship quality and effects that are moderated by the level of mutual commitment in the relationship. In the remaining portion of this section, we develop and support hypotheses concerning these relationships.

Avoidance. The use of an avoidance conflict management style signals a lack of concern for both channel members' outcomes and the relationship in general because it does not offer the opportunity to exchange information. In mutually committed relationships, information exchange signals a willingness to explore potentially beneficial approaches for resolving conflicts. In less

committed relationships, information exchange may signal an attempt to develop a higher quality relationship. These possibilities do not occur when an avoidance style is used. Although we acknowledge that avoidance may be useful on an incidental basis to inhibit the escalation of disagreements over minor issues, we predict that its regular use frustrates the ability of both parties to satisfy their needs and is likely to have detrimental effects on relationship quality, regardless of the level of mutual commitment.

H2: The use of an avoidance conflict management style is negatively related to relationship quality, regardless of the channel members' level of commitment.

Accommodation. When utilizing an accommodating style, the channel member signals a concern for the other party's welfare but limits the sharing of sensitive information and minimizes risks (Pruitt 1981). In relationships characterized by low mutual commitment, the concessions offered when using an accommodation style encourages the other channel member to reciprocate leading to the escalation of trust and satisfaction (Osgood 1962).

However, accommodation is unlikely to be a useful long-term conflict approach in a mutually committed relationship. Consistent accommodation does not require the same level of information sharing as compromise and collaboration styles. An accommodating style also signals an unwillingness to assume the risk of sharing sensitive information (Pruitt 1981). This undermines trust and communicates a lack of involvement with the conflict issues in the relationship. Additionally, an accommodating style indicates that the channel member is not interested in expending on the relationship the effort associated with the use of more assertive conflict management styles. Thus, we hypothesize that:

H3: The use of an accommodating conflict management style is more positively related to relationship quality as the degree of mutual commitment decreases.

Competition. Channel members who use a competitive style for managing conflict demonstrate a concern for their individual outcomes over joint outcomes. This approach fosters distrust, conflict, and ultimately undermines relationship quality regardless of the level of channel member commitment to the relationship.

H4: The use of a competitive conflict management style is negatively related to relationship quality, regardless of the channel members' level of commitment.

Compromise and Collaboration. The remaining two conflict management styles, compromise and collaboration, involve engaging in both assertive and cooperative behaviors and a two-way flow of information. The critical difference between these styles is the amount of information exchanged. When a compromise style is used, the information exchanged involves the objectives of the two channel members. Using this information, the channel members resolve the conflict by compromising, or splitting the difference. When a collaborative style is used, the information exchanged is much more extensive and may involve proprietary positions (e.g., Dant & Schul 1992; Pruitt 1981; Thomas 1976). This disclosure enables the channel members to identify novel, win-win solutions. However, the exchange of this proprietary information makes the parties vulnerable to opportunistic behavior (Thomas 1976). Since a compromise involves the exchange of non-proprietary information to reach a mutually satisfactory resolution, we hypothesize:

H5: The use of a compromise conflict management style is positively related to relationship quality regardless of the channel members' level of commitment.

We propose that the effects of a collaborative conflict management style on relationship quality may differ depending on the level of the mutual commitment. When both parties are mutually committed to the relationship, they are motivated to maintain the relationship's existence over the long run and strive for mutual benefit. The members are motivated to resist jeopardizing

the relationship by opportunistic use of proprietary information learned about the other channel member. Thus, a collaborative style increases relationship quality in committed relationships because the benefits of identifying novel solutions outweigh the risks of opportunistic use of proprietary information.

In uncommitted relationships, the parties' are short-term oriented and motivation to maintain the relationship is minimal. Relationship termination is easily accomplished. As a result, members may be more willing to act opportunistically toward the other party in order to gain a short-term advantage. Because of this, we expect that a collaborative approach to conflict management may have detrimental effects on relationship quality in uncommitted relationships. Such an approach involves the sharing of candid information that could be used to minimize one party's position at the expense of the other. Even if the information is not used opportunistically by the other party, an awareness of the potential vulnerability is likely to decrease satisfaction of the collaborating party.

H6: The use of a collaborative conflict management style is more positively related to relationship quality as the degree of mutual commitment between the channel members increases.

The following section describes the methodology used to test the previously stated hypotheses. The section begins with a description of the research context and sample. Then the measure development and model estimation are described in detail.

METHOD

Data Collection

Research setting. The insurance industry distribution channel was the setting for tests of the hypotheses. By selecting major firms who employ a wide range of relationships with their

agents, we were able to minimize inter-industry heterogeneity and provide a setting in which both insurance firms and agents have a wide range of alternative partners and low barriers to exiting the relationship. Thus, mutual commitment is not easily created. This assured us that we would have considerable variation in terms of commitment, conflict management approaches, and relationship quality.

Procedure. Two major insurance firms participated in the study in return for customized summaries of their agent relationships. One firm covered the property/casualty market, both individual and commercial, while the other offered primarily life insurance and employee benefit programs. The two insurers randomly selected a cross section of their agents and identified the most knowledgeable person in their organization about the relationship with the agent. This employee was typically the field sales manager responsible for the territory in which the agent was located.

A questionnaire concerning a specific (named) agent was sent to the key informant working for the insurance company. Each survey contained a form letter from the insurance company requesting participation and assuring confidentiality. A cover letter from the researchers was also included that: (1) explained that the purpose of the study was to gain a better understanding of agent-insurer relations, (2) assured the respondent that the disaggregate answers would be kept confidential, and (3) promised a general summary of the findings. Response rates were 71% for one insurer and 55% for the second insurer. This represented a final sample size of 368 responses.

Sample characteristics. The reported relationships were heterogeneous, providing us with considerable variation with respect to the constructs of interest. On average, the agencies had represented the insurer for 22.4 years ($sd=21.2$) and sold \$1.7 million ($sd=\$2.4M$) in policies

on an annual basis. The data were also informative of the variety of alternatives that each firm faced. In each territory, there were approximately 5.7 (sd=7.4) alternative agencies who were capable of representing the insurer. Each agency also had 5.8 (sd=4.9) alternative insurers who could offer competitive products and services.

Respondent characteristics. Respondents had worked with the agencies approximately 5.1 (sd=4.7) years on average. 85% were territory managers who were very knowledgeable about the specific agency. Both are positive indicators of the informant's competency with respect to providing knowledgeable responses to our questionnaire. The length of the relationship between the agencies and the insurance companies and the boundary spanners representing the firms suggests that typical styles or norms for managing conflict had time to develop.

Measure Development

All of the constructs in the survey were measured with multiple-item Likert measures and were based on scales that have been previously used in past research or were created for the purpose of this study. All of the scales were adapted to the study setting, based on personal interviews with insurance representatives and selected agents. These interviews also served to simplify, clarify and streamline the survey. Table 2 contains the means, standard deviations, and correlation matrix for the constructs.

Mutual commitment. The mutuality of commitment between the insurer and the agency was assessed by two scales that tapped the insurer's commitment and its perception of the agency's commitment to the relationship. Both scales were adapted from the commitment items developed by Anderson & Weitz (1992), which used a 7-point Likert scale (1=Strongly Disagree, 7=Strongly Agree). The insurer's commitment scale included items such as, "We are quite willing to make sacrifices to help out this agency from time to time," and "We have a strong sense of

loyalty to this agency,” whereas the perceived agency commitment scale would be, “This agency is quite willing to make sacrifices to help us out from time to time,” and “This agency has a strong sense of loyalty to us.” The measure of mutual commitment used to test the hypotheses was the average of the insurance company’s commitment and its perception of the agent’s commitment.

Conflict management styles. The five conflict management styles were adapted from the “MODE” instrument developed by Kilmann & Thomas (1977). In order to insure that we sampled from a wide variety of conflict situations, respondents were instructed to “Consider situations in which your company’s wishes differ from those of this agency. Indicate the degree to which each statement describes your company’s typical response.” In this manner, we hoped to minimize the possibility that respondents would tend to report high conflict situations only and maximize the possibility of informants using a variety of conflict management styles. The responses were made on a seven point Likert scale (1=Does Not Describe, 7= Does Describe).

Avoidance was measured by items such as, “We do what is necessary to avoid useless tensions.” Accommodation was represented by items such as, “In approaching negotiations, we try to be considerate of this agency’s wishes.” Competition items included statements such as, “We make some effort to get our way.” A compromise style was measured by items such as, “We try to find a position that is intermediate between their position and our position.” Finally, a collaborative style was represented by items such as, “We attempt to immediately work through our differences.”

Relationship quality. Relationship quality was comprised of four dimensions: trust, satisfaction, expected benefits, and continuity expectations. Trust was measured with items designed to tap honesty, “We trust this agency to deal fairly with us,” and benevolence, “This agency cares about how well our company does financially.” Satisfaction was comprised of items

such as, “We are very satisfied with the relationship we have with this agency.” Expected benefits was a two item measure, including, “This agency is likely to generate substantial benefits to our company over the next three years.” Continuity expectations was also a two item measure, such as, “We expect to be working with this agency for some time.”

Measurement properties. Confirmatory factor analysis techniques were used to assess measurement issues via full-information maximum-likelihood estimation techniques in LISREL 8.03 (Jöreskog & Sörbom 1993). As per our conceptualization, relationship quality was estimated as a second order construct consisting of four first order factors: satisfaction, trust, expected benefits and continuity expectations. First-order factor models were estimated for all other constructs: company and agent commitment and the five modes of conflict management. The overall fit indices -- chi-square, comparative fit index (Bentler 1990) for the models are reported in Table 3. The comparative fit indices of all of the measurement models approach or exceed the .90 recommended level, demonstrating adequate fit of the models to the data.

The appendix lists the scale items and reliabilities. All first and second order factor loadings were significant at $\alpha=.05$, demonstrating convergent validity. Discriminant validity between the constructs of each measurement model was stringently assessed via the test recommended by Fornell & Larcker (1981). All of the measurement models demonstrated evidence of discriminant validity between constructs. Chronbach alpha reliabilities for the subscales and first order factors ranged from .74 to .92.

Model Estimation

The hypotheses were tested using the following two regression equations:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + \beta_9 X_9 + \beta_{10} X_{10}$$

$$Z = \alpha_0 + \alpha_1 Y$$

In the first equation, Y denotes relationship quality, X_1 is avoidance, X_2 is accommodation, X_3 is competition, X_4 is compromise, and X_5 is collaboration. X_6 - X_{10} denote the interactions between the five modes of conflict management (avoidance, accommodation, competition, compromise, and collaboration, respectively) and mutual commitment. In the second equation, Z denotes mutual commitment, and Y is relationship quality. The α s and β s are the regression coefficients.

The models were simultaneously estimated using three-stage least squares.² Following Chronbach (1987), Jaccard, Turrissi & Wan (1990), and Lastovicka & Thamodaran (1991), factor scores were used in the regression analysis and all predictors were mean centered to reduce potential collinearity between variables. We also ran the regression with a dummy variable to detect systematic differences between firms and found that there were no significant differences. Hence, the final regression was conducted on the combined data from the two firms.

RESULTS

The regression results are listed in Table 4. Relationship quality was positively related ($\beta_1=1.09$, $p<.0001$) to mutual commitment, supporting hypothesis 1. Avoidance had a significant negative effect ($\beta_1=-.11$, $p<.04$) on relationship quality and a significant positive interaction effect ($\beta_6=.14$, $p<.004$). Thus, there is partial support for hypothesis 2. Accommodation exerted a significant positive effect ($\beta_2=.67$, $p<.0001$) on relationship quality, while the interaction of accommodation and commitment had a significant negative effect ($\beta_7=-.37$, $p<.0001$) on relationship quality, supporting hypothesis 3. Competition exerted a significant negative effect ($\beta_3=-.22$, $p<.001$) on relationship quality, while the interaction of competition and commitment was positive and significant ($\beta_8=.14$, $p<.05$). Thus, there is only partial support for hypothesis 4. The use of a compromise conflict management style was not significantly related to relationship

quality ($\beta_4 = -.02$, $p < .76$). The interaction between a compromise style and mutual commitment was positive and significant ($\beta_9 = .18$, $p < .02$). Thus, there is no support for hypothesis 5. Collaboration was positively related to relationship quality ($\beta_5 = .25$, $p < .0004$). The interaction between collaboration and mutual commitment was also positively related to relationship quality, but marginally significant ($\beta_{10} = .13$, $p < .07$). Thus, there is only partial support for hypothesis 6.

In sum, the results indicate that collaboration and accommodation positively affects relationship quality, while competition and avoidance adversely affects relationship quality and compromising has no effect. However, as mutual commitment between the channel members increases, accommodation is negatively related to relationship quality, while all other modes -- avoidance, collaboration, competition, and compromise -- enhance relationship quality.

DISCUSSION

The results suggest that the five conflict management approaches exert differential effects on relationship quality as a function of the level of mutual commitment between channel members. Commitment has long been a key construct in social exchange theory (Blau 1964, Thibaut & Kelley 1959) and intraorganizational research (Becker 1960, Meyer & Allen 1984), and is widely acknowledged in the marketing channels literature as a construct central to all relational exchanges (Morgan & Hunt 1994) and an important construct resulting in valuable outcomes. In this study, we extend our understanding of commitment by investigating its role as a context variable that moderates the impact of various conflict management approaches on relationship quality.

An avoidance style of managing conflict was shown to adversely affect relationship quality. Such an approach involves minimal communication and exchange of information between the parties and is unassertive and uncooperative in nature. The regular use of this style frustrates

both parties from effectively meeting their needs. We were surprised to find that the negative effects of avoidance were inhibited as mutual commitment between the channel members increases. This seems to illustrate the paradoxical nature of an avoidance style; avoidance can result in ambiguity that leads to greater conflict (Bullis 1983), yet it may also be productive in minimizing the attention and effort toward unimportant issues (Thomas 1976) or serving as a defense against a negative confrontation (Raush et al 1974, p. 65). It could be that when the channel members are mutually committed, avoidance of some conflict situations (particularly those involving minor issues) is beneficial for the relationship and contributes to long-term stability.

We also found that an unassertive, cooperative approach to conflict management -- accommodation -- also exerts differential effects on relationship quality as a function of the level of mutual commitment that exists between the channel members. Accommodation is a non-threatening way to communicate a sincere interest in the other party and perhaps too, a desire to better develop the relationship. Hence, when channel members are not committed to the relationship, accommodation is an incremental approach that demonstrates concern and interest and lays a foundation for enhanced trust and commitment. In committed relationships, accommodation signals a preoccupation with satisfying the other party over concern for mutual benefit and a lack of willingness to take the risk of exposure to opportunism and exert the effort associated with a more collaborative approach. Channel members who consistently accommodate in the face of conflict are likely to detrimentally affect relationship quality over the long-run.

A competitive approach to conflict management is one in which the focus of the style is the pressure to make the other party change. Such an approach in a noncommitted relationship was shown to adversely affect relationship quality, because it communicates a concern for

individual over joint outcomes. This fosters distrust and conflict and undermines relationship quality over time. However, the results suggest that conflict may not have such adverse effects on relationship quality when the channel members are committed. When the channel members are committed, there is a focus on stability and sacrifice and a desire to maintain the relationship over the long term. Hence, there is some assurance that the parties will not act opportunistically toward each other. When one party uses a competitive approach and attempts to make the other party change their position, it may not be viewed as threatening behavior, but rather a frank statement of the resolution options facing the dyad. In this manner, relationship quality is preserved instead of undermined.

A compromise approach was conceptualized as a middle-of-the-road approach to conflict. Channel members will exchange concessions and try to find an intermediate position between the parties. Such a strategy also seems to yield middle-of-the-road results. Compromise did not exert any effect on relationship quality in noncommitted relationships. In committed relationships, it appears to have somewhat of a positive effect on relationship quality. Perhaps such an approach is seen more positively as an attempt to work cooperatively toward joint outcomes than in noncommitted relationships.

Finally, we found that a collaborative approach -- an active attempt to manage conflict in a way that jointly maximizes the outcomes of both parties -- can significantly improve overall relationship quality, regardless of the level of mutual commitment. Such an approach is evidently useful for communicating to the other party a mutual versus individual orientation, generating new ideas, showing respect, and gaining support for the solution.

By investigating the impact of various conflict management approaches across a variety of conflict situations and relationship types, we are able to make some key contributions to the

literature. First, we address how systems of individuals -- firms -- respond to conflict. In the interpersonal literature, there has been a call for better understanding of system-wide styles, which comprise more than just the sum of its parts. Past work on conflict approaches in the management and marketing literatures has typically taken an interpersonal perspective (see Wall & Callister 1995 for a review; Day, Michaels & Perdue 1988).

Second, we investigate the impact of various conflict management approaches in situations in which the channel members have some latitude in how they might deal with the conflict episode. Past work has examined the conflict management choice in asymmetrical relationship contexts (i.e., franchising), and has been concerned with the role of power and its effects (Blalock 1989; Dant & Schul 1992).

Third, by taking the relationship context into account, we advance our understanding of its effects on conflict management outcomes. Dant & Schul (1992) investigate the impact of situational characteristics on a channel member's choice of conflict management approach, but do not address the impact of the approach on relationship outcomes. Research on relationship context effects on conflict approaches in the management literature has been limited; past work has focused on power imbalances (Blalock 1989), interdependence (Thompson 1967), and distributive contexts (Walton, Dutton & Cafferty 1969).

Finally, we are able to demonstrate that general conflict management approaches can differentially develop and diminish relationship quality between firms as a function of their level of mutual commitment. The control mode -- mutual commitment -- plays a role in setting the context of the relationship and hence, frames perceptions and interpretations of various conflict management behaviors that are critical in the development of relationship quality perceptions.

Implications for Management

The five conflict styles represent a repertoire of approaches that can be used repetitively in conflicts. Clearly, the results suggest that firms should avoid using one style without regard to other possible approaches in their relationships with channel members, because some approaches are more or less useful for developing relationship quality across different types of relationships. If a firm predominately uses an accommodating approach to conflict management -- primarily concerned with satisfying the needs or concerns of the other channel member -- then the firm ignores the reality that such an approach is more appropriate in noncommitted relationships and has adverse effects in committed relationships. Regular patterns of behavior become rituals, and such rigidity may work against successful conflict management. By better understanding the impact of these five conflict management modes across various relationship types, a channel member is less likely to make negative attributions and more likely to better understand the other party when it switches styles.

By investigating the moderating role of mutual commitment as a context variable in interfirm relationships, we found that the positive effects of collaboration and compromise on relationship quality can be enhanced, while the negative effects of competition and avoidance are minimized and used in a more beneficial manner in developing relationship quality. Thus, it appears that in committed relationships, channel member actions are less likely to be interpreted negatively and more likely to be viewed positively.

Limitations

The use of a survey in understanding conflict management may have led to an underreporting of the amount of avoidance actually used in conflict situations (Gayle-Hackett 1989). When asked to report on conflict, respondents typically recall and report about conflicts

that are noticed and important, and may not even consider the times that they avoided non-important conflict situations.

Second, it may be that channel members tend to use a sequence of conflict approaches rather than one approach. For example, their first response to conflict may be to avoid, then move on to competition in an attempt to win their position, and finally move on to collaboration. Such strategies would not be reflected in the survey instrument used here. Instead, the one strategy most salient in the respondent's memory is the one that is most likely to be reported on.

Directions for Future Research

Past work in marketing channels has investigated conflict management approaches in asymmetrical relationships -- relationships in which power is the primary governance mode. We extend the field's understanding of this area by focusing on the use of commitment as the primary governance mode and we demonstrate differential effects on relationship quality. However, this work represents a first step in understanding conflict management in nondominating relationships. An obvious next step would be to extend our model to take into account the reactions of the other party. Clearly relationship phenomena involve two parties who directly affect and respond to each other over time.

Another avenue of research would involve better understanding of the "meta-strategies" that firms may use in managing conflict. For example, it may be that the management styles are more effective when used in a sequence than using one dominant style. More work is needed that illuminates the conditions under which various sequences are more or less effective and their precise effects on key relationship outcomes.

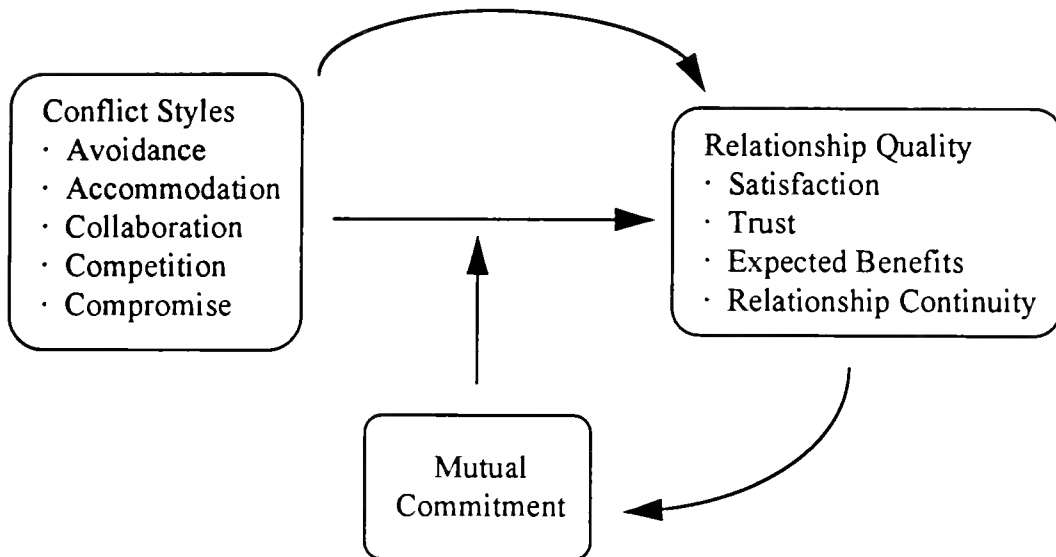
Successful conflict management is a complex phenomenon that is yet to be fully understood by researchers in marketing or in management. In this study, we have attempted to


advance the quest for understanding interorganizational conflict by examining various management approaches in light of the governance mode used by the channel members. Our results suggest that the approaches have differential effects on overall relationship quality as a function of the level of commitment that exists between the firms. Mutual commitment as a governance mode is a critical decision in that it requires much effort, time, and energy to develop and sustain over time. By understanding the differential effects of conflict management approaches such as collaboration, competition, accommodation, avoidance, and compromise, firms gain insight into how they might better manage these critically valuable relationships.

ENDNOTES

- ¹ There is a parallel between some of the conflict management styles proposed by Thomas (1976) and the styles proposed by March and Simon (1958) examined in a channel context by Dant and Schul (1992) and Lambert, Boughton, and Banville (1986). Thomas' styles of competition, compromise, and collaboration share aspects of the March and Simon styles of persuasion, bargaining, and problem solving.
- ² The analysis was also conducted using two-stage least squares and the results were similar.

FIGURE 1
CONCEPTUAL FRAMEWORK



 indicates a moderated relationship


 indicates a direct relationship

TABLE 1
DESCRIPTION OF CONFLICT MANAGEMENT STYLES

<u>Characteristic</u>	<u>Style</u>				
	Avoidance	Accommodation	Competition	Compromise	Collaboration
Assertiveness	Low	Low	High	Medium	High
Cooperation	Low	High	Low	Medium	High
Nature of Communication	One-Way	One-Way	One-Way	Two-Way	Two-Way
Amount of Information Exchange	Low	Low	Low	Medium	High

TABLE 2
MEANS, STANDARD DEVIATIONS,
AND CORRELATION MATRIX

	<i>Mean</i>	<i>Std Dev</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>	<i>11</i>
1. Commitment	4.90	1.30	1										
2. Perception of Agent's Commitment	4.73	1.22	.76	1									
3. Collaboration	5.17	.92	.41	.36	1								
4. Competition	5.00	.85	-.01	-.01	.20	1							
5. Accommodation	5.03	.94	.59	.46	.56	.16	1						
6. Avoidance	4.86	1.13	.30	.20	.40	.11	.58	1					
7. Compromise	4.64	.89	.43	.33	.52	.02	.63	.44	1				
8. Trust	4.80	.82	.62	.78	.32	-.02	.41	.19	.24	1			
9. Satisfaction	4.20	1.62	.71	.79	.32	-.10	.42	.23	.31	.69	1		
10. Expected Benefits	4.66	1.48	.74	.66	.33	-.06	.40	.22	.29	.55	.66	1	
11. Continuity Expectations	5.25	1.56	.83	.70	.30	-.01	.50	.21	.35	.53	.64	.69	1

Correlations in bold are not significant at $\alpha=0.05$

TABLE 3
MEASUREMENT MODEL SUMMARIES

<i>Measurement Model</i>	<i>Chi-Square (df)</i>	<i>CFI</i>
Relationship Quality	404.7 (73)	.93
Company/Agent Commitment	555.1 (103)	.92
Conflict Management Modes	576.97 (160)	.88

TABLE 4
MODEL ESTIMATION RESULTS

Effect on Mutual Commitment

<i>Independent Variable</i>	<i>Coefficient</i>	<i>Standard Error</i>	<i>T-Value</i>
Intercept (α_0)	-.022	.02	-1.1
Relationship Quality (α_1)	1.09***	.04	28.8

Effects on Relationship Quality

<i>Independent Variable</i>	<i>Coefficient</i>	<i>Standard Error</i>	<i>T-Value</i>
Intercept (β_0)	.020	.04	.6
Avoidance (β_1)	-.108*	.05	-2.1
Accommodation (β_2)	.673***	.09	7.8
Competition (β_3)	-.219***	.07	-3.2
Compromise (β_4)	-.024	.08	-.3
Collaboration (β_5)	.246***	.07	3.6
Committed*Avoidance (β_6)	.138***	.05	2.9
Committed*Accommodation(β_7)	-.371	.08	-4.6
Committed*Competition (β_8)	.139**	.07	2.0
Committed*Compromise (β_9)	.175**	.07	2.4
Committed*Collaboration (β_{10})	.127*	.07	1.8

Systemwide $R^2 = .39$

* $p < .1$, ** $p < .05$, *** $p < .01$

APPENDIX

SCALE ITEMS AND RELIABILITIES

<i>Commitment</i>	<i>Chronbach's $\alpha=0.92$</i>
<hr/> We defend this agency when others criticize it. We have a strong sense of loyalty to this agency. We are continually on the lookout for another agency to replace this agency. (R) We are willing to dedicate whatever people and resources it takes to grow sales for this agency. Any concessions we make to help out this agency will even out in the long run. We are quite willing to make sacrifices to help out this agency from time to time.	
<i>Perceptions of Agent's Commitment</i>	<i>Chronbach's $\alpha=0.91$</i>
<hr/> This agency defends us when others criticize us. This agency has a strong sense of loyalty to us. This agency is continually on the lookout for a company to replace us. (R) This agency is quite willing to make sacrifices to help us out from time to time. This agency feels that any concessions they make to help us will even out in the long run. This agency is quite willing to dedicate whatever people and resources it takes to grow our sales.	
<i>Collaboration</i>	<i>Chronbach's $\alpha=0.83$</i>
<hr/> We attempt to get all concerns and issues immediately out in the open. We attempt to immediately work through our differences. We always lean toward a direct discussion of the problem. We always share the problem with this agency so that we can work it out.	
<i>Competition</i>	<i>Chronbach's $\alpha=0.77$</i>
<hr/> We try to win our position. We make some effort to get our way. We press to get our points made. We assert our wishes.	
<i>Accommodation</i>	<i>Chronbach's $\alpha=0.80$</i>
<hr/> We try to soothe the agency's feelings and preserve our relationship. We try not to hurt the agency's feelings. In approaching negotiations, we try to be considerate of this agency's wishes. If this agency's position seems very important to them, we would try to meet their wishes.	
<i>Avoidance</i>	<i>Chronbach's $\alpha=0.76$</i>
<hr/> We do what is necessary to avoid useless tensions. We try to avoid creating unpleasantness for our company.	
<i>Compromise</i>	<i>Chronbach's $\alpha=0.86$</i>
<hr/> We give up some points in exchange for others. We will let this agency have some of their positions if they let us have some of ours. We propose a middle ground. We try to find a fair combination of gains and losses for both of us. We try to find a position that is intermediate between their position and our position. We try to get the agency to settle for a compromise.	

*Trust**Chronbach's $\alpha=0.91$*

Our relationship with this agency is like an open book.
This agency in general is trustworthy. (R)
We trust this agency to deal fairly with us.
This agency cares about how well our company does financially.
This agency is concerned with maximizing our profits, not just their profits.
This agency wants to make sure we both make money.
This agency works to make things go well for us.

*Satisfaction**Chronbach's $\alpha=0.92$*

We are very satisfied with the relationship we have with this agency.
We are displeased with our relationship with this agency. (R)
Our relationship with this agency has more than fulfilled our expectations.

*Expected Benefits**Chronbach's $\alpha=0.74$*

This agency is likely to generate substantial benefits to our company over the next three years.
In the foreseeable future, we would not be surprised if our relationship with this agency proved less rewarding than it has been in the past. (R)

*Continuity Expectations**Chronbach's $\alpha=0.89$*

We expect to be working with this agency for some time.
Our relationship with this agency is a long term alliance.

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